

Message Text

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PAGE 01 MANAGU 03491 222152Z

67

ACTION ARA-10

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P 222112Z JUL 76

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC PRIORITY 0676

LIMITED OFFICIAL USE MANAGUA 3491

ATT: JOSEPH GRUNWALD, ARA, JOHN BUSHNELL, TREASURY,
MARVIN WEISSMA, ARA/CEN, FROM AMBASSADOR

E.O. 11652: NA

TAGS: ELTN, BENC, NU

SUBJECT: SOMOZA'S VIEW OF IDB LOAN FOR MANAGUA CIRCUMFERENTIAL
HIGHWAY

REF: BUSHNELL LETTER TO AMBASSADOR THEBERGE, JUNE 25, 1976

1. DURING MEETING ON JULY 21 WITH PRESIDENT SOMOZA, I EXPLAINED
AT SOME LENGTH OUR CONCERN ABOUT THE CONTROVERSIAL \$24 MILLION IDB
LOAN FOR THE MANAGUA CIRCUMFERENTIAL HIGHWAY. I SAID THAT WE FELT
IT WOULD SERVE NEITHER USG, IDB NOR GON INTERESTS TO PROCEED WITH
THE LOAN NEGOTIATIONS FOR REASONS OUTLINED IN REFERENCED BUSHNELL
LETTER. I POINTED OUT THE ADVANTAGES OF CHANGING THE CIRCUMFERENTIAL
HIGHWAY PROJECT FOR A MORE DEFENSIBLE \$24 MILLION RURAL FEEDER
ROAD PROJECT, WHICH WOULD PROVIDE THE GON WITH THE SAME AMOUNT OF
SOFT LOAN FUNDS FROM THE FSO.

2. I REMINDED SOMOZA THAT AS DONOR, INDEED PRINCIPAL DONOR, TO
THE IDB THE USG HAD A LEGITIMATE INTEREST IN ALL LOAN PROJECTS
THAT MUST BE APPROVED BY THE U.S. AND OTHER EXECUTIVE DIRECTORS.

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PAGE 02 MANAGU 03491 222152Z

WHILE IT WAS, IN THE FINAL ANALYSIS, THE DECISION OF THE GON AND

IDB WHETHER OR NOT TO PROCEED, IT WAS OUR RESPONSIBILITY TO BRING POTENTIALLY SERIOUS PROBLEMS ASSOCIATED WITH THE LOAN PROJECT TO THE ATTENTION OF THE BANK AND THE GON.

3. IN REPLY, THE PRESIDENT SAID THAT HE WAS WELL AWARE OF THE ADVERSE PUBLICITY THAT HAD BEEN GIVEN TO THE LOAN BY THE JACK ANDERSON COLUMN AND OTHERS IN THE U.S. CONGRESS. HE ALSO KNEW THAT GROUPS HOSTILE TO THE GON IN NICARAGUA AND IN THE UNITED STATES WERE ATTEMPTING TO STOP THIS LOAN PROJECT. HOWEVER, THE PROJECT WAS A GOOD MONE, AND THE FACT THAT HIS FAMILY OWNED PROPERTY BOUGHT DECADES AGO WHICH WOULD BENEFIT FROM THE ROAD WAS IRRELEVANT. OVER 140 PERSONS, OR FAMILIES, WOULD ALSO BENEFIT. HE SAID THAT THE INCREASED VALUE OF THE PROPERTY DUE TO THE ROAD WOULD BE TAXED AT THE TIME OF SALE, AS WAS NICARAGUAN PRACTICE. HE ADDED THAT HE RESOLUTELY REFUSED TO PERMIT A SMALL PRESSURE GROUP TO HALT THIS PROJECT. IT WOULD SET AN EXTREMELY BAD PRECEDENT. HE WAS NOT AFRAID OF ADVERSE PUBLICITY FOR HIMSELF OR HIS GOVERNMENT. HE NOTED THAT THE IDB HAD FINANCED MANY CONTROVERSIAL LOANS OVER THE YEARS AND NOTHING CATASTROPHIC HAD HAPPENED. HE INTENDED TO PROCEED WITH THE LOAN NEGOTIATIONS AND WAS COMPLETELY WILLING TO TAKE THE RISKS.

4. I REMINDED HIM THAT THE USG HAS VETO POWER OVER THE USE OF THE IDB'S FSO LOAN FUNDS. WHILE I WAS NOT PRIVY TO THE FINAL USG POSITION ON THE LOAN, I SUGGESTED THAT CIRCUMSTANCES MIGHT COMPEL THE U.S. TO VETO THE LOAN. HE WAS NOT DETERRED, AND EMPHASIZED THAT THE MANAGUA CIRCUMFERENTIAL LOAN HAD BECOME A TEST OF THE POWER OF THE ANTI-SOMOZA GROUPS. IF THEY WERE SUCCESSFUL IN BLOCKING THIS LOAN, HE SAID THEY WOULD FIND REASONS FOR STOPPING OTHER LOANS.

5. HE THANKED ME FOR EXPRESSING USG CONCERN ABOUT THE PROJECT AND THE MEETING ENDED ON A CORDIAL NOTE.
THEBERGE

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